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FISCAL IMPACT STATEMENT

LS 7126

BILL NUMBER: SB 338

NOTE PREPARED: Jan 24, 2007

BILL AMENDED: Jan 23, 2007

SUBJECT: Distribution of Local Income Tax..

FIRST AUTHOR: Sen. Riegsecker

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: The bill provides that the amount of local income tax distributed to a county will be adjusted to include an amount withheld by an employer but not reported on an annual income tax return. (Current law provides that the amount distributed is based on the amount of tax received and reported on a taxpayer's annual income tax return.)

Effective Date: July 1, 2007.

Explanation of State Expenditures: The bill will require the Department of State Revenue to determine when annual tax returns are not filed that correspond to withholdings that have been received. Under current statute, the amount of local option income tax revenue to be distributed to a county during an ensuing calendar year (i.e. CY 2008) equals the amount of revenue that the DOR, based on State Budget Agency recommendation, determines has been reported and actually received from the county for a taxing year (i.e. CY 2006) ending before the calendar year (i.e. CY 2007) in which the determination is made. The bill requires that the DOR adjust this distribution amount to include local option income tax withholdings for which no corresponding annual tax return was filed.

The funds and resources that may be required for the DOR to implement and enforce the withholding exemption verification requirements could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions. The state vacant position report for January 15, 2007, indicates

that the DOR has 242 vacant full-time positions.

Explanation of State Revenues: The bill requires that the DOR adjust the distribution of local option income tax to a county to include local option income tax withholdings submitted to the state for which no corresponding annual tax return was filed. The extent to which withholdings are submitted but no annual tax return is filed corresponding to the withholdings is unknown. Adjustments under this bill would shift individual income tax revenue from the state General Fund and the Property Tax Replacement Fund to counties.

Explanation of Local Expenditures:

Explanation of Local Revenues: See Explanation of State Revenues.

State Agencies Affected: Department of State Revenue; State Budget Agency.

Local Agencies Affected: Counties imposing local option income taxes.

Information Sources:

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